

Message Text

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PAGE 01 HAVANA 02148 01 OF 02 250222Z
ACTION EB-08

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FM USINT HAVANA
TO SECSTATE WASHDC 2631
INFO AMEMBASSY BERLIN
AMENDASSY BUCHAREST
AMEMBASSY MOSCOW
AMEMBASSY SOFIA
AMEMBASSY TEL AVIV

C O N F I D E N T I A L SECTION 1 OF 2 HAVANA 2148

EO 11652: GDS
TAGS: ETRD EMIN EEWT CU RO
SUBJ: ROMANIAN-CUBAN ECONOMIC AGREEMENT

REF: HAVANA 439

1. SUMMARY: ROMANIANS SIGN 1978 COMMERCIAL AGREEMENT WITH CUBA WHICH TRADES OFF CUBAN AGREEMENT, IN PRINCIPLE, TO PAY FREE MARKET PRICES FOR ROMANIAN GOODS IN EXCHANGE FOR: A) CUBAN RECEIPT OF PREFERENTIAL PRICES FOR GOODS DELIVERED AS AMORTIZATION OF EARLIER DEBT TO ROMANIA PLUS B) GREATER VOLUME OF DELIVERIES FROM ROMANIA TO CUBA THAN VICE VERSA. NEGOTIATIONS REVEAL APPARENT HEAVY CUBAN NICKEL SALES TO FREE MARKET. END SUMMARY

2. USINT OFFICER, JULY 24, CALLED ON ROMANIAN ECONOMIC REPRESENTATIVE (BIRLIGA) TO DISCUSS LONG-DELAYED SIGNATURE (SEE REFTEL) OF CUBAN-ROMANIAN COMMERCIAL AGREEMENT FOR 1978. (NEW 1978 AGREEMENT AND TENTATIVE FRAMEWORK FOR 1979 AGREEMENT WERE SIGNED
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PAGE 02 HAVANA 02148 01 OF 02 250222Z

IN HAVANA, JULY 13, BY ROMANIAN VICE-MINISTER OF FOREIGN TRADE ION STOIAN AND CUBAN VICE-MINISTER OF FOREIGN TRADE MANUEL ESTEFANIA.)

3. BIRLIGA INDICATED THAT 1978 CUBAN-ROMANIA AGREEMENT ENVISAGED BALANCED, TWO-WAY EXCHANGE TOTALING 25 MILLION RUBLES. OF 12.5 MILLION RUBLES TO BE EXPORTED BY CUBA, SOME 4.5-5 MIL-

LION RUBLES WILL CONSIST OF PRODUCTS (SUGAR AND NICKEL) SHIPPED IN REPAYMENT OF CUBAN DEBTS TO ROMANIA (SEE REFTTEL). PRICE OF THESE AMORTIZATION SHIPMENTS, BIRLIGA SAID, WILL PROBABLY BE BASED ON FORMULA USING AVERAGE OF FREE MARKET PRICES FOR LAST FIVE YEARS. (FYI THIS FORMULA WOULD PERMIT FACTORING IN OF 1974-75 HIGH FREE MARKET SUGAR PRICES. PRECISE PRICING ARRANGEMENTS WILL BE DETERMINED IN SUBSEQUENT NEGOTIATIONS BETWEEN INDIVIDUAL CUBAN AND ROMANIAN CONTRACTING ENTERPRISES, BUT, THERE IS APPARENT AGREEMENT THAT CUBANS WILL RECEIVE PREFERENTIAL PRICES FOR AMORTIZATION SHIPMENTS. NOTE THAT CUBANS IN 1977 ONLY RECEIVED FREE MARKET PRICES FOR THEIR DEBT AMORTIZATION SHIPMENTS. END FYI.)

4. IN ADDITION TO DEBT AMORTIZATION SHIPMENTS, CUBAN DELIVERIES DESIRED BY ROMANIA INCLUDE THRITY TO THRITY-FIVE THOUSAND TONS OF SUGAR - PRICED AT FREE MARKET LEVELS - AND SOMEWHAT LESS THAN 500 TONS OF NICKEL SINTER ALSO PRICED AT FREE MARKET LEVELS. PRESICE QUANTITIES AND PRICES WILL BE ESTABLISHED IN ENTERPRISE-TO-ENTERPRISE NEGOTIATIONS, BUT CUBAN HAVE ACCEPTED, IN PRINCIPLE, USE OF FREE MARKET PRICES.

5. BRILIGA SAID THAT CUBANS CLAIMED THEY WOULD HAVE SERIOUS DIFFICULTY IN SUPPLYING EVEN SMALL QUANTITY OF NICKEL SINTER DESIRED BY ROMANIA. HE SAID HE HAS IMPRESSION THAT CUBANS USED EARLY NICKEL PRODUCTION THIS YEAR TO TAKE ADVANTAGE OF SLIGHTLY IMPROVED PRICES IN FREE MARKET, AND ONLY HAVE SUFFICIENT PRODUCTION REMAINING DURING REST OF YEAR TO SATISFY THEIR BILATERAL

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PAGE 03 HAVANA 02148 01 OF 02 250222Z

COMMITMENTS (TO SOCIALIST COUNTRIES AND SOME FREE MARKET CLIENTS). (COMMENT: CUBAN CLAIM OF DIFFICULTIES IN SUPPLYING ROMANIA SUGGEST THAT CUBAN STOCKS OF EXCESS NICKEL HAVE EITHER BEEN ELIMINATED OR REDUCED TO MINIMUM - POSSIBLE SIGN OF HEAVY FREE MARKET SALES PRESUMABLY AT DISCOUNTED PRICES. SEE HAVANA 2119 NOTAL FOR INDICATION OF SERIOUS NEED FOR HARD CURRENCY BY CUBA.)

6. BIRLIGA SAID THAT ROMANIANS ARE ALSO INTERESTED IN OBTAINING MOLASSES, RUM, LIQUERS, CIGARS, FISH PRODUCTS, AND CITRUS PRODUCTS FROM CUBA. THESE PRODUCTS WILL BECOME MORE IMPORTANT WHEN ROMANIA BECOMES SELF-SUFFICIENT IN SUGAR IN 1980 - THEREBY ELIMINATING MAJOR COMPONENT OF CUBAN EXPORTS TO ROMANIA. AT PRESENT TIME, DUE TO LACK OF REFRIGERATED TRANSPORT FACILITIES, ROMANIANS ARE UNABLE TO IMPORT FRESH FRUIT FROM CUBA - SO CITRUS IMPORTS WILL HAVE TO CONSIST OF JUICES OR CANNED OR BOTTLED FRUITS. BIRLIGA ADDED, HOWEVER, THAT BULGARIA OR GDR MAY EVENTUALLY BEABLE TO HELP WITH REGARED TO REFRIGERATED TRANSPORTATION OF FRESH FURIT. (COMMENT: ROMANIA APPARENTLY NOW OBTAINS FRESH CITRUS FROM ISRAEL. BIRLIGA SAID THAT ROMANIA FEELS POLITICAL IMPERATIVE, AS COMECON MEMBER, TO MAINTAIN TRADE WITH CUBA. THEREFORE, WHEN ROMANIA BECOMES SELF-SUFFICIENT IN SUGAR, IT MAY FEEL IMPELLEDEO EXPAND PURCHASES OF CUBA'S RISING CITRUS PRODUCTION.

RESULTING WEAKENING OF BUCHAREST'S COMMERCIAL LINKS WITH TEL AVIA WILL PRESUMABLY BE WELCOMED, AND FACILITATED BY, USSR, GDR, AND BULGARIA).

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PAGE 01 HAVANA 02148 02 OF 02 250226Z
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C O N F I D E N T I A L SECTION 2 OF 2 HAVANA 2148

7. WITH REGARD TO ROMANIAN DELIVERIES TO CUBA, BUCHAREST HAS AGREED TO PROVIDE GOODS EQUAL TO HAVANA'S INFLATED VALUE AMORTIZATION SHIPMENTS PLUS ITS ADDITIONAL COMMERCIAL DELIVERIES. (COMMENT: PRESUMABLY SEEMING DISBALANCE IN TRADE IS BEING HANDLED AS REPAYABLE CREDIT TO CUBA.) WHILE CUBANS PRESSED FOR LESS COSTLY PRICES ON ROMANIAN GOODS (SEE REFTEL), THEY SETTLED FOR FORMULA IN WHICH CURRENT FREE MARKET PRICES WOULD BE USED. (PRECISE PRICES WILL BE SET IN ENTERPRISE-TO-ENTERPRISE NEGOTIATIONS.) ROMANIAN GOODS WHICH CUBANS WANT INCLUDE TIRES, GALVANIZED STEEL WIRE, CLOTH, AND SPARE PARTS FOR CHEMICAL INDUSTRY. CUBANS EXPRESSED NO INTEREST IN ONSHORE OR OFFSHORE PERTOLEUM EQUIPMENT.

8. WITH REGARD TO 1979 FRAMEWORK AGREEMENT, BOTH SIDES AGREED THAT TOTAL TRADE VOLUME SHOULD BE GREATER THAN 1978. ROMANIANS ENVISAGE MAINTAINING IDENTICAL SUGAR PURCHASES AS IN 1978 AGREEMENT, BUT WOULD LIKE TO COVER, IF POSSIBLE, ONE HUNDRED PERCENT OF THEIR 1000 TON NICKEL SINTER IMPORT REQUIREMENTS FROM CUBA.
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PAGE 02 HAVANA 02148 02 OF 02 250226Z

THEY ALSO WISH TO EXPAND IMPORTS OF CITRUS, RUM, LIQUERS.
PRICING ARRANGEMENTS FOR 1979 AGREEMENT WILL BE NEGOTIATED IN LATE
1978 OR EARLY 1979 AND WILL BE BASED ON EXPERIENCE OF HOW 1978
PRICE ARRANGEMENTS FUNCTION (THAT IS, PRICING FORMULA HAS NOT
YET BEEN DEFINITELY FIXED.)

9. ON COMMERCIAL CREDIT SIDE, ROMANIANS ARE AWAITING LIST
FROM CUBANS OF EQUIPMENT THEY WANT IN TRANSPORT (TRUCKS, BUT
NOT BUSES), RAILROAD (COACHES AND FREIGHT CARS), AND AGRICULTU-
RAL MACHINERY SECTORS. (CUBANS TOLD ROMANIANS THAT THEY INTEND
TO EMBARK ON POLICY OF BUYING YEAR-ATER-YEAR SAME MODELS OF
EQUIPMENT TO FACILITATE SOLUTION SPARE PARTS PROBLEM.) WHEN
CUBANS DECIDE WHAT THEY WANT FROM ROMANIA, AND IN WHAT QUANTITY,
BUCHAREST WILL DECIDE TERMS OF LONG-TERM COMMERCIAL CREDIT.

10. COMMENT: CUBAN-ROMANIAN AGREEMENT REPRESENTS BREAKING OF
IMPASSE WHICH PITTED ROMANIAN DEMANDS FOR FREE MARKET PRICES
AGAINST CUBAN DESIRE TO RECEIVE PREFERENTIAL PRICES BOTH FOR
HAVANA'S EXPORTS AND IMPORTS. COMPROMISE WORKED OUT IN WHICH
ROMANIANS AGREED TO LET CUBANS, IN EFFECT, DISCOUNT THEIR DEBT
AND RECEIVE GREATER THAN WARRANTED DELIVERIES APPARENTLY IS
MOTIVATED BY BUCHAREST'S DESIRE TO KEEP MINIMALLY IN STEP WITH
ITS COMECON COLLEAGUES. NONETHELESS, IT IS INTERESTING THAT CUBA
HAS AGREED TO PAY FREE MARKET PRICES (ALBEIT ONLY IN GOODS,
NOT HARD CURRENCY) FOR ROMANIAN PRODUCTS. WE READ THIS AS
ANOTHER INDICATION OF HAVANA'S URGENT NEED TO SATISFY ITS FORMER
FREE MARKET IMPORT REQUIREMENTS FROM OTHER SOURCES, HOWEVER SO
MINIMALLY.

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